

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE FEBRUARY 14, 2007 PENSION BOARD MEETING

1. Call to Order

Chairman Dean Roepke called the meeting to order at 8:35 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, WI 53202.

2. Roll Call

Members Present:

Linda Bedford
Donald Cohen
John Martin (Vice Chairman)
Marilyn Mayr
Michael Ostermeyer
John Parish
Dr. Sarah Peck
Dr. Dean Roepke (Chairman)
Thomas Weber

Members Excused:

None

Others Present:

Mark Grady, Principal Assistant Corporation Counsel
Jack Hohrein, ERS Manager and Pension Board Secretary
Vivian Aikin, ERS Administrative Specialist
Veronica Britt, ERS Coordinator
Donald Campbell, ERS Project Manager
Steven Huff, Reinhart Boerner Van Deuren s.c.
Leigh Riley, Foley & Lardner LLP
Brad Blalock, Mercer Investment Consulting
Kristin Finney-Cooke, Mercer Investment Consulting
Wayne Taitt, EARNEST Partners
Chris Hovis, EARNEST Partners
Todd Ashworth, Retiree
Ken Loeffel, Retiree
Cliff VanBeek, Retiree

3. Chairman's Report

(a) Annual Meeting

The Chairman distributed an outline regarding the Pension Board's role and responsibilities to be presented at the annual meeting on February 21, 2007. He noted that the Board had received the annual meeting agenda with the packet of meeting materials. He asked for input from those present regarding the annual meeting topics. The Board discussed introductions, direct deposit, litigation outcomes, and ERS's funding. The Chairman asked that any additional ideas from Board members be emailed to him.

(b) Chairman Holloway's Letter

The Chairman reviewed a letter received from Lee Holloway, Chairman of the Milwaukee County Board of Supervisors. Mr. Holloway's letter encouraged the State, County and City pension funds to buy stock in Midwest Airlines in an attempt to block a hostile takeover bid by AirTran Airways.

Chairman Roepke indicated he would refer the matter to the Investment Committee for further review. He suggested that the Committee ask the Mercer representatives to provide guidance on the issue. In response to a question from Ms. Bedford regarding the City or State response, Mr. Grady noted that spokespersons for Governor Doyle, Mayor Barrett and County Executive Walker noted in the Milwaukee Journal Sentinel that pension boards must adhere to fiduciary standards when investing fund assets. Mr. Ostermeyer expressed his belief that investing in Midwest Airlines stock as Mr. Holloway requests would be inconsistent with the Board's fiduciary duties. The Chairman stated that the Board would be acting consistent with its fiduciary duties by referring the request to the Investment Committee for review.

(c) Committee Reminder

The Chairman reminded Board members to take commitments to attend committee meetings seriously.

4. Approval of Minutes of January 17, 2007 Meeting

The Board reviewed and unanimously approved the minutes of the January 17, 2007 Pension Board meeting. Motion by Mr. Cohen, seconded by Mr. Martin.

Ms. Mayr joined the meeting.

5. Report of Retirement Systems Manager

(a) Ratification of Retirements Granted

Mr. Hohrein presented the Retirements Granted report for the prior month's retirements and asked the Board to review them. He noted that the Retirement Office had two retirement education days this month.

The Board unanimously accepted the Retirements Granted report. Motion by Mr. Martin, seconded by Mr. Cohen.

In response to a question from Mr. Hohrein, Mr. Grady explained that all new hires represented by District Council 48 no longer have the right to backDROP benefits as of the effective date of the District Council 48 collective bargaining agreement, which was signed by the County Executive in February. Accordingly, no new hires in the County are entitled to backDROP benefits.

(b) Report on Waivers

Mr. Hohrein reported that Susan J. Moeser, the Bureau Administrator for Economic Support, submitted a waiver this month.

Mr. Cohen asked what type of waiver she had submitted and why the waiver was requested. Mr. Grady, Mr. Huff and Mr. Hohrein explained that the County Executive asks his appointees to waive potential enhancements to their benefits.

The Board reviewed and unanimously accepted Ms. Moeser's benefit enhancement waiver. Motion by Mr. Martin, seconded by Mr. Cohen.

(c) Report on Board Member Election

Mr. Hohrein distributed a report on the February 8, 2007 Board member election. He stated that Dr. Roepke was the only candidate to submit nomination papers and that Dr. Roepke was elected to serve another term on the Board by a clear margin.

Mr. Hohrein indicated that he is exploring alternatives to monitoring voting, including mobile and stationary polling places for next year's

election. He also stated that he paid retirees \$10 per hour plus parking costs for the time they spent working at the polls.

The Chairman added that the Board should rethink the voting procedures. He noted that the Board may want to formalize the rules to clarify the election procedures.

Mr. Martin asked whether the Board could allow ERS members to vote electronically through the new time sheet submission process that will apply to all County employees soon. Mr. Hohrein will check with Ceridian regarding that option.

(d) Report on Website

Mr. Hohrein distributed a report on the ERS website and discussed its contents, including a list of the main links on the site.

Mr. Hohrein requested direction from the Board on how long Board meeting agendas and other information should be kept on the website. Ms. Mayr asked what ERS's retention policy was for other documents. Mr. Hohrein stated that retention requirements for other documents vary. The Chairman explained that some records must be kept for an employee's entire period of employment. Mr. Grady mentioned that employee files and meeting minutes have been kept forever.

Dr. Peck inquired as to the uses of the website. Mr. Hohrein explained the various uses of the website and stated that he thought that keeping items currently on the website for five years was sufficient. Dr. Peck agreed that a five year retention policy was acceptable. The Chairman noted that since the website was providing open records for the public and providing information to ERS members and retirees, a three year retention of documents on the website should be long enough.

Mr. Hohrein inquired whether the Board would like him to add the Mercer quarterly reports to the website as well. Dr. Peck responded that she thought the quarterly report should be on the website. Mr. Martin asked if there was a limit on volume for the website. Mr. Hohrein stated that they have not come close to the limits yet.

At Mr. Hohrein's request, the Board decided to put the annual reports on the website rather than spending thousands of dollars to mail paper copies. Mr. Hohrein indicated that he would have a limited number of printed copies made to be provided upon request.

Mr. Martin asked that the Ordinances and Rules be added to the website as well. Mr. Hohrein stated that he could add a link to the Ordinances and Rules through 2005. Mr. Grady asked that Mr. Hohrein send an updated set of Rules to the County Clerk and that once the Rules are updated a link would be sufficient.

Mr. Hohrein also reported that the supervisor at IMSD was working on fixing the online calculator for the website.

(e) Replacement Pension Check Policy

Mr. Hohrein distributed the ERS Check Replacement Policy and explained the policy in detail. He stated that the policy provides for an ERS member to contact the Retirement Office if he or she has not received his or her check by the normal delivery date. The Retirement Office will then give the member a date on which the member may send a written notification to replace the check. He noted that, pursuant to the policy, ERS will not immediately replace checks because ERS does not have the resources to do this and because over 90% of the time members receive their checks within a week of the normal delivery date, which is much sooner than ERS could send a replacement check.

(f) Cash Flow and Liquidity Report

Mr. Hohrein explained that Gordon Mueller asked that he review ERS's cash flow and liquidity needs with the Board. Mr. Hohrein distributed a cash flow and liquidity report to the Board.

Mr. Hohrein stated that ERS's needs are on schedule with Mr. Mueller's predictions. He noted that \$5 million was withdrawn in January from Loomis and that \$5 million will be needed for February and March 2007 to satisfy ERS's cash flow needs. He indicated that, in March 2007, Mr. Mueller will make projections for the April, May and June 2007 cash flow needs.

Mr. Martin inquired regarding the \$25 million in benefit payment reserves and earnings on that amount. Ms. Finney-Cooke noted that earnings are not addressed in the Mercer report. Mr. Hohrein stated that he will prepare a report on this matter.

The Chairman explained that the Audit and Compliance Committee was reviewing the custodian RFP and that it will review any questions raised at the next Board meeting.

6. Investments

(a) Investment Manager Report – EARNEST Partners

Mr. Taitt and Mr. Hovis made a presentation regarding EARNEST Partners. They distributed an investment review report to the Board. Mr. Taitt stated that EARNEST Partners is 100% employee owned and has not had any changes in ownership since the last report to the Board. He also noted that EARNEST Partners has not experienced any recent changes in its investment process or senior management.

Mr. Taitt reviewed EARNEST Partners' investment process. He explained that EARNEST Partners screens stocks beginning with a stock universe of over 800 stocks, which are then narrowed down to approximately 150 high-potential stocks that are screened, scrutinized and assessed for risk to finally comprise the 60 portfolio companies in which EARNEST Partners invests. He commented that EARNEST Partners focuses on stocks with the best potential through both an internal and external review.

Mr. Taitt next reviewed EARNEST Partners' guidelines, investment policy audit and equity market overview. He indicated that there were many strong performances across the board in the equities market.

Mr. Taitt also provided the Board with a portfolio review. He noted that ERS's portfolio had a market value of approximately \$34 million. He also stated that the ERS portfolio gained 4.44% and underperformed the Russell Mid Cap benchmark by 3% last quarter.

Mr. Hovis then described why EARNEST Partners invests in certain stocks, such as Covance Inc., Newfield Exploration Co. and Brinker International Inc., which were key performance funds in 2006. In response to a question raised by Dr. Peck, Mr. Taitt explained that there are three reasons EARNEST Partners sells stocks: (i) if EARNEST Partners' original thesis breaks down; (ii) if EARNEST Partners finds a stock to replace one of the 60 in ERS's portfolio or (iii) if a stock needs to be sold because, combined with another stock, the portfolio is overweight in one sector.

Mr. Taitt further explained that EARNEST Partners follows a bottom up investment style and that it tries to find the best 60 stocks in which to invest. He noted that EARNEST Partners is currently

underweight in REITs because REITs are too expensive due to private equity companies bidding up the prices.

Mr. Hovis reported that the assets in ERS's portfolio have grown since inception. He also stated that EARNEST Partners takes proxy voting seriously and will vote all proxies on ERS's behalf in accordance with ERS's best economic interests as equity shareholders. Ms. Bedford noted that she appreciated that EARNEST Partners included information about proxy voting in the report.

Dr. Peck inquired whether there was any attribution analysis to explain EARNEST Partners' underperformance with respect to the benchmark. Mr. Ostermeyer noted that Mercer's report includes an attribution report. He invited EARNEST Partners to respond to why performance is lagging behind the benchmark. Mr. Taitt responded that low quality companies did very well in the short term and EARNEST Partners manages a high quality portfolio.

Next, Mr. Weber inquired whether there is a particular person that deals with consumer discretionary investments, noting that 50 percent of those stocks were selling below cost. Mr. Taitt responded that no particular person works with those stocks because EARNEST Partners manages, votes, selects and reviews as a team. Mr. Weber noted that he thinks that, although the area is unpopular, it is a worthwhile area to invest in. He explained that these stocks are currently trading below book value and earnings power and that they are better businesses than the market gives them credit for being.

Finally, in response to a question from Dr. Peck, Mr. Taitt stated that EARNEST Partners uses only a bottom up investment style, picking individual stocks without regard to which sector they belong.

(b) Mercer Report

(i) Quarterly Report

Ms. Finney-Cooke distributed the quarterly report for the fourth quarter of 2006. She described the market environment for the fourth quarter, stating that economic expansion rose due to stronger-than-expected consumer spending, solid job creation and falling energy prices. She reported that job growth was strong, with the unemployment

rate down to 4.5% from 4.9% a year ago. Ms. Finney-Cooke noted that the yield curve remained inverted slightly and inflation remained stable, but increased slightly due to higher energy prices in December.

She also discussed the performance of the domestic equities market, fixed income market, international equities market and other asset classes. She stated that high yield bonds were the best performing bonds in the fixed income market. She explained that the high yield bonds had helped ERS's portfolio because ERS was overweight in high yield bonds. She also stated that mortgage backed securities were the strongest securities since 2002. Ms. Finney-Cooke commented that the international equities market outperformed the domestic equities market for 2006. She also stated that REITs have done very well for ERS and, therefore, ERS should consider changing investments because REITs are considered overvalued.

Next, Ms. Finney-Cooke addressed the market summary for the fourth quarter. She noted that gains in the fourth quarter were attributed to low inflation measures and a stable housing market. She stated that prices, as measured by the Consumer Price Index, rose slightly despite declines in transportation and energy.

Ms. Finney-Cooke reported that ERS was valued at \$1,621.3 million at the end of 2006, an increase of \$101.4 million since the end of the third quarter. She noted that ERS gained 5.8% during the fourth quarter, outperforming the Composite Market Index and the Public Funds Universe median by 20 and 30 basis points, respectively. She indicated that ERS is in the 20th percentile for five years, even though its portfolio is more conservative than comparable funds. She also reviewed ERS's current asset allocation versus the allocation policy. She stated that ERS is currently underweight in core fixed income and slightly overweight in large cap equity, high yield fixed income and real estate. In response to a question from Ms. Mayr, Ms. Finney-Cooke noted that ERS is only 90 basis points over the policy guidelines with respect to high yield fixed income investments.

Ms. Mayr commented that there was a discrepancy last year between the return calculated by Mercer and the return calculated by Buck. She requested that measures be taken to avoid that discrepancy in 2006. Mr. Grady suggested that the following language be used in the annual report to avoid the discrepancy: "____% return on invested assets (which excludes liquid assets)."

(ii) Flash Report

Ms. Finney-Cooke distributed the flash report for January 2007. She indicated that ERS had an aggregate market value of approximately \$1.6 billion at the end of January, representing a 1.4% increase during January, leading the Reference Index by 10 basis points.

Ms. Finney-Cooke also reviewed market performance for January 2007. She explained that the large cap domestic equity market advanced 1.9% during the month, while small cap equity gained 1.7% in January. In addition, growth outperformed value in both the large and small cap arenas. She noted that international investment grade fixed income experienced a flat return during the month and high yield issues led the broad market, gaining 1.1%.

Ms. Finney-Cooke next reported on ERS's asset allocation. She noted that ERS was underweight in core fixed income at the end of January, relative to ERS's investment policy. She indicated that the January cash need of \$5 million was sourced from the Loomis High Yield account, which helped to bring the asset class within its policy target range.

Ms. Finney-Cooke noted that Reinhart & Mahoney will present at the annual meeting on February 21, 2007. She indicated that Reinhart & Mahoney has performed extremely well over the past year. Ms. Mayr raised questions about the performance of Capital Guardian.

(c) Investment Committee Report

Mr. Martin distributed the minutes of the February 1, 2007 Investment Committee meeting.

(i) Capital Guardian.

Mr. Martin explained that the Investment Committee discussed Capital Guardian's performance at the February 1, 2007 meeting. He stated that Mr. Blalock and Ms. Finney-Cooke presented their report on Capital Guardian. They reported that ERS's policy guidelines called for a review because Capital Guardian's performance had been under the benchmark for one-, three-, five- and seven-year returns. They also noted that performance concerns had been discussed three years ago. At the Investment Committee meeting, Dr. Peck noted that GMO's returns were better than Capital Guardian's returns.

The Investment Committee recommended beginning a search for a manager to replace Capital Guardian, which has been ranked by Mercer as a B+ manager. Mercer provided a list of A-rated managers to the Investment Committee at the February 1, 2007 meeting as potential replacements for Capital Guardian.

The Board unanimously agreed to begin a search to replace Capital Guardian as a core international equities manager (but not as a small cap international equities manager). Motion by Mr. Weber, seconded by Mr. Parish.

Mr. Martin requested that Mercer provide data to narrow the list of managers. In response to questions from Ms. Bedford and Mr. Grady, Mr. Martin indicated that the list would include minority and local managers and would be distributed to the Investment Committee. However, he noted that the Investment Committee welcomes anyone else on the Board to assist with the search. The Chairman also pointed out that any Board member can join the Investment Committee.

(i) Evaluation of REIT Investments

Mr. Martin also reviewed the Investment Committee's discussion of REIT investments. He noted that Mr. Blalock and Ms. Finney-Cooke presented their report at the February 1, 2007 meeting, recommending that ERS reduce the allocation in REITs from 5.1% to 2%.

Although there are several ways to reduce the amount invested in REITs, Mercer recommends an increase in global REITs, private real estate and infrastructure combined with a decrease in venture capital, core fixed income and US REITs. The Mercer representatives explained to the Investment Committee that US REITs are not as attractive as global REITs, private real estate and infrastructure. They also mentioned that hedge fund markets are changing and the Investment Committee and Board would benefit from beginning to be educated on hedge funds. Specifically, they noted that the 2 % annual management fee plus 20% of profits currently paid to hedge fund managers may no longer be the standard fees in the future.

Mercer reviewed a handout outlining several different options for alternative portfolios for ERS. Mercer recommended the "Mix 3" portfolio, which is comprised of 62% equities and 38% fixed income.

Mr. Blalock recommended diversifying the real estate portion of ERS's portfolio by choosing investments in real estate through investing in one or more open-ended commingled funds with many properties. He noted that ERS needs the core holding in real estate to diversify the ERS fund overall. Mr. Ostermeyer, who is a real estate investment attorney, stated that commercial real estate prices are high, but that the returns are high as well. Mr. Blalock explained that there are only eleven of the funds of the type he described. The Chairman added that Mercer is currently rating the eleven funds.

Dr. Roepke stated that the County Ordinances require keeping 25% of investments out of equities. Mr. Grady read the Ordinances to the Board to clarify how the contemplated investments would be classified. Mr. Blalock indicated that the City of Milwaukee is changing the City Ordinances to change its permitted investments and noted that the County could modernize its Ordinances as well.

The Board unanimously agreed to change the ERS portfolio to the "Mix 3" portfolio suggested by Mercer, to invest in ING's global REIT and to direct the Investment Committee to bring back other specific investment

recommendations to the full Board for approval. Motion by Mr. Cohen, seconded by Ms. Mayr.

7. Child Support Agreement with DWD

Mr. Grady reported on the Data Exchange Agreement with the Wisconsin Department of Workforce Development ("DWD"). He explained that a new State law directs the DWD to collect child support payments from lump sum payments of State, City and County pension funds. The Data Exchange Agreement provides for the release of lump sum payment information from ERS to the DWD.

Mr. Grady indicated that the law applies to backDROP benefits that are not rolled over to IRAs or other qualified plans. He stated that he believes ERS is obligated to comply with the law, which is consistent with the City's approach. Mr. Hohrein asked why the agreement had a 45 day termination clause if it is obligatory. Mr. Grady stated that theoretically ERS could use the termination clause, but it is unlikely it will do so.

Ms. Riley suggested that ERS add "no third party beneficiaries" language to the agreement. Mr. Grady responded that such language was not necessary because ERS can tender defense of claims to the State.

The Board unanimously agreed to grant Mr. Hohrein approval to sign the agreement between ERS and the Wisconsin Department of Workforce Development. Motion by Mr. Cohen, seconded by Ms. Bedford.

8. Rule for Direct Deposit of Pension Payments

The Board discussed proposed Rule 1038 regarding direct deposit of pension payments. The Chairman noted that the Audit and Compliance Committee recommended the approval of the proposed rule with one minor revision. Mr. Huff advised that the revised language states that ERS will follow the policy outlined in the Rule to the extent feasible. This change will ensure that ERS complies with the Rule in circumstances that require an exception to the general policy. Mr. Huff noted that Mr. Hohrein explained the challenge of setting up 100% direct deposit accounts at the Audit and Compliance Committee meeting.

The Board unanimously agreed to adopt Rule 1038, as attached. Motion by Mr. Cohen, seconded by Mr. Parish.

Mr. Hohrein noted that he would look for low or no cost arrangements for fallback direct deposits. For example, Wells Fargo, which handles checks

for ERS, may be willing to set up free fallback direct deposit accounts for new retirees and beneficiaries.

9. Todd Ashworth Claim

Mr. Ashworth made a presentation to the Board regarding his claim for higher pension benefits. Mr. Ashworth stated that his goal for retirement was to retire as soon as he was eligible for the Rule of 75 and to receive approximately \$5,000 per month in pension benefits. He stated that he contacted Ms. Morris at the Retirement Office to set up his earliest retirement date, which was established as June 29, 2006. Mr. Ashworth explained that he received a letter from Mr. Hohrein on March 30, 2006 estimating his maximum retirement benefit at \$5,001.54 per month. Mr. Ashworth noted that he left work on April 28, 2006. Using ten weeks' paid time, his last paid day of employment was July 7, 2006. He explained that he retired on July 8, 2006 under the assumption he would receive a monthly benefit of \$5,021.34. On October 25, 2006, Mr. Ashworth received another letter from Mr. Hohrein, explaining that due to the limitation restrictions of Internal Revenue Code ("Code") section 415, Mr. Ashworth's benefits would be reduced to \$4,708 per month, beginning on January 1, 2007.

Mr. Huff explained the limits on retirement benefits under Code section 415 to Mr. Ashworth. Mr. Ashworth stated that he relied on the \$5,000 per month when he was retiring and he was \$313 per month short of that goal. He estimated that based on an average life span of 75 years, he would be deprived of over \$100,000 because of the reduction of his benefit.

In response to questions from Mr. Huff, Mr. Ashworth reiterated that his goal was to retire on the first day that he could retire, but that he did not tell anyone at the Retirement Office, or elsewhere, that he wanted a certain monthly benefit upon his retirement. Board members noted that life expectancy is speculative, that Mr. Ashworth will receive a benefit of approximately \$5,000 per month, especially considering the cost of living adjustments and that Mr. Ashworth achieved his goal of retiring on his first eligibility date.

The Chairman stated that, pursuant to Wisconsin Statute Section 19.85, the Board could enter closed session to confer with legal counsel, who is rendering oral or written advice regarding strategy to be adopted with respect to litigation in which it is or is likely to become involved.

The Board unanimously agreed by roll call vote to go into closed session to further consider item number 9. Motion by Mr. Martin, seconded by Mr. Cohen.

Upon returning to open session, the board denied Mr. Ashworth's claim for additional benefits, 8-0-1, with Mr. Martin abstaining. Motion by Mr. Cohen, seconded by Ms. Bedford.

Mr. Grady explained to Mr. Ashworth that he would be receiving a letter outlining the Board's reasons for the denial.

Mr. Hohrein stated that, in the future, the retirement forms will have a "sign off" for Code section 415 testing and also caveats that calculations of benefits may be limited by the Code.

10. Implementation of New Technology Software – Donald Campbell

Mr. Campbell distributed and presented a report to the Board regarding the progress of the V3 project. He stated that the cleanup and reorganization of the files in the ERS records room is scheduled to be completed by the end of April 2007.

Mr. Campbell also noted that several elements of the project's work plan had been completed and other items are in process. He explained that there has been a delay in the development of V3 specification documents due to project restructuring, but the project is expected to be back on schedule by mid-March. Mr. Campbell reported that a position description for a Benefits Information Systems Specialist had been developed and reviewed with IMSD in February.

Mr. Campbell reviewed key challenges of the project, including ERS resource availability. He explained that this would continue to be an issue, but the work plan had been modified to take the limited availability into account. Mr. Campbell also reported that the total project expenditures to date were \$2,515,813.85 and that the revised project completion dates were April 2008 for the Core System and July 2008 for the Self-Service component.

Mr. Campbell addressed the V3 Life/Health module for retirees. He noted that considerable effort has been expended under the assumption that the module will be implemented and a final decision is expected from IMSD in March. He recommended that the life and health benefit administration piece be addressed on the V3 side of the project. He stated that V3 will need life and health data for all retirees on the conversion date. In response

to questions from Mr. Hohrein and the Chairman, Mr. Campbell explained that adding the life and health piece on the V3 side is the best option and it will not cause any change to the time frame. Answering Mr. Grady's question, Mr. Campbell noted that County delays with the Ceridian conversion will not delay the V3 project.

The Chairman asked Mr. Campbell's opinion on the most positive developments on the V3 project. Mr. Campbell replied that the most positive developments are the structure of the project and establishing the timetable for the project.

11. Amended Rule 1010 for Reports by Accidental Disability Pensioners

Mr. Grady reviewed with the Board the proposed amendment to Rule 1010. He explained that he drafted the proposed amendment based on discussions of amending the Rule at previous meetings.

The Board unanimously agreed to adopt the amended Rule 1010, as attached. Motion by Mr. Cohen, seconded by Ms. Mayr.

12. Legal Update – Pending Litigation

Mr. Grady reported on the *Milwaukee County et al v. Mercer Human Resources Consulting* lawsuit. He stated that the County is currently dealing with standard pretrial litigation matters and is in the process of exchanging documents. Mr. Grady indicated that the case is likely to go to trial in 2008. In response to a question from Ms. Riley, Mr. Grady stated that the legal counsel issues had not yet formally been resolved by the court.

13. Disability Applications

The Board members noted that they had reviewed the disability applications and medical board reports on Vicki Nisleit and James Glinecki.

The Board unanimously agreed to approve Vicki Nisleit's ordinary disability application and James Glinecki's accidental disability application. Motion by Mr. Cohen, seconded by Mr. Parish.

Mr. Grady reported that he relayed the Chairman's concern regarding the disability standard for deputy sheriffs to the new labor negotiator, but he was not optimistic that the standard could be changed.

14. Administrative Matters

(a) Continuing Education, Board Retreats, Training and Professional Organizations

The Chairman requested that the Board approve attendance for any Board member and Mr. Grady at the Investments Institute conference in White Sulphur Springs, West Virginia on April 23-25, 2007.

The Board approved attendance for any interested Board member and Mr. Grady for the Investments Institute conference on April 23-25, 2007, 8-1-0, with Ms. Mayr dissenting. Motion by Mr. Martin, seconded by Mr. Cohen.

The Chairman explained that each conference must be approved individually.

Ms. Mayr expressed her concern that Mr. Grady's conference expenses should be in the Corporation Counsel's budget, not ERS's budget.

(b) Future Board Topics

Ms. Aikin will report in March on the Board retreat.

15. Adjournment

The meeting adjourned at 1:35 p.m.

Submitted by Steven D. Huff,
Assistant Secretary to the Pension Board

Adopted and Effective February 14, 2007

AMENDMENT TO THE RULES OF
THE PENSION BOARD OF THE EMPLOYEES'
RETIREMENT SYSTEM OF THE
COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the General Ordinances of Milwaukee County (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the and/or meeting date administration of ERS.
3. Ordinance section 201.24(8.17) provides that the Pension Board shall determine the amount, manner and time of payment of any benefits.
4. The Pension Board has traditionally provided two options for payment of benefits: payment by check and payment by direct deposit to the member's bank account.
5. The increasing cost and inefficiencies of issuing checks has made it necessary for the Pension Board to reconsider the manner in which benefit payments are provided.
6. The Pension Board desires to adopt default procedures for paying retirement benefits in the form of direct deposit.

RESOLUTIONS

1. Pursuant to Ordinance section 201.24(8.6), the Pension Board creates and adopts Rule 1038 to read as follows:

Article I. Rule 1038. Manner of Benefit Payments

The Employees' Retirement System of the County of Milwaukee shall, to the extent feasible, make payments of any retirement benefits due to members who retire effective on or after July 1, 2007 or to the beneficiaries of those members, by means of direct deposit to an account with a financial institution that is a participant of the Automated Clearing House designated by the member or beneficiary.

AMENDMENT TO THE RULES OF
THE PENSION BOARD OF THE EMPLOYEES'
RETIREMENT SYSTEM OF THE
COUNTY OF MILWAUKEE

RECITALS

1. Section 201.24(8.1) of the General Ordinances of Milwaukee County (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. Ordinance section 201.24(8.6) allows the Pension Board to establish rules for the administration of ERS.
3. Ordinance section 201.24(10.2) provides for adjustment of disability pensions based, in part, on whether such pensioners are engaged in gainful occupations. Rule 1010 requires such pensioners to provide a statement of earned income and copies of tax returns. However, some such pensioners have failed to comply with the Rule.
4. In order for ERS to perform its fiduciary obligations, the Pension Board hereby amends Rule 1010 as follows:

RESOLUTIONS

1. Pursuant to Ordinance section 201.24(8.6), the Pension Board hereby amends Rule 1010 to read as follows:

Rule 1010. Reports by accidental disability pensioners.

(a) Each member receiving an accidental disability pension shall, on or before June 1 of each year, file with the secretary a statement of earned income and shall provide to ERS a signed authorization allowing ERS to obtain copies of state and federal tax returns from the respective governments. The secretary may also request that the member provide complete copies of the member's federal and state income tax returns for the same year. The secretary, for reasonable cause shown, may extend the filing date.

(b) In the event a member fails to provide the requested statement or authorization as required, the secretary shall forward the member's name and the facts of the member's noncompliance to the Pension Board. Upon referral, the

Adopted and Effective February 14, 2007

Board may, in its discretion, suspend the member's pension or take whatever other action it deems appropriate in order to obtain the documentation. Upon receipt of the required documents, the Secretary shall pay to the member, without interest, all prior suspended pensions payments, subject to the adjustment, if any, required by Ordinance section 201.24(10.2).